

Subject: Post Office and Civil Service Committee Hearing on Civil Service Supplemental Retirement System on 23 October 1985.

1. The hearing began with the testimony of Mr. Kenneth Shapiro, President, Hay/Huggins Company Inc. Hay/Huggins was retained by the Committee to perform an analysis on the House (Ford/Oakar) supplemental retirement proposal. Based on information that resulted from exchanges with the Committee and it's staff over the past three years and, a comparison of the "proposal" with the retirement programs in effect by the 800 companies (of all sizes, functions and location) used in the Hay/Huggins database, it was concluded that the Ford/Oakar proposal is a carefully planned, completely acceptable, supplemental retirement system. It responds very favorably to the two basic demands for a supplemental retirement system, viz., (a) it retains as much as possible the benefits structure of the current CSRS retirement system, and, (b) it accommodates the design of the social security system that is already a significant ingredient in the retirement plan for federal employees hired after 1983. The Ford/Oakar proposal would cost 25.5% of payroll versus the 25.0% cost of payroll for the current CSRS retirement system. The Shapiro/Hay-Huggins testimony is detailed in Attachment A.

2. Representatives of eleven federal employee unions testified at this hearing in regards to the proposed Ford/Oakar legislation.

American Postal Workers Union, AFL-CIO

American Federation of Government Employees, AFL-CIO

National Association of Letter Carriers, AFL-CIO

National Rural Letter Carriers Association.

National Association of Postal Supervisors

National League of Postmasters of the U.S.

National Association of Postmasters of the U.S.

National Federation of Federal Employees

National Association of Government Employees

National Treasury Employees Union

National Association of Retired Employees

[Verbatim testimony in Attachment B]

3. In general, all federal employee unions favor the Ford/Oakar proposal over both versions of the Senate proposal, S. 1527. They offered their support for the Ford/Oakar plan and expressed their appreciation to Chairman Ford and the Committee for the opportunity to participate in the preparation of the proposed legislation.

4. The Chamber of Commerce of the United States of America was represented by former 10-term Congressman, Honorable John N. Erlenborn (Testimony in Attachment C). He is currently a partner in the law firm of Seyfarth, Shaw, Fairweather and Geraldson. The Chamber of Commerce takes the position that the Ford/Oakar proposal is too generous. Instead, they suggest that the Committee draft legislation that will bring about closer conformity in retirement benefits for new federal employees and current private-sector employees. (They do not specify any examples or model retirement programs in the private-sector that could be used for such a purpose.) Their objection to the Ford/Oakar proposal, as drafted, is twofold-- (a) the COLA projected benefits and, (b) the early retirement (55 years of age) feature. The Committee welcomed the C of C recommendations and informed them that their testimony was appreciated and would be taken into consideration before final legislation is prepared.

5. Congressman John Meyers, a Committee member, submitted a few queries/challenges to the representatives of the federal unions:

- Why would a young person want to apply for a federal government job in these times?

- How can a congressman defend himself with constituents re the need for such beneficial legislation that provides these generous retirement benefits to government employees? (particularly in congressional districts where government employees are in a minority?)
- Why do we insist on including the early retirement benefit (55 years of age) in legislation when statistics show that the majority of federal employees retire much later? (some statistics indicate a retirement average age of 61 years for both government and private-sector employees).

Congressman Meyers' questions were fielded by the federal employees union officials quite adroitly. If the federal government hopes to attract, and retain, quality employees they must have attractive benefits. Retirement benefits are a serious concern of the federal employees early in their careers since a good retirement program, with an early retirement option, can strongly influence career decisions. The attrition rate for new federal employees is extremely high and therefore the federal government management, i.e., the Congress, should make a concerted effort to induce federal employees to make long-term career commitments to the federal government service. If not properly induced, the attrition rate will likely increase. The federal

government needs to recruit quality employees on a continuing basis, if we are going to continue to produce quality results in future years. The proposed supplemental retirement benefits package (Ford/Oakar proposal) should make a significant impact on the federal government's effort to attract and retain productive employees....according to the federal employees union's management.

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